# SOY BEANS, CORN AND WHEAT: RULES FOR 2-DAY CHART MOVES

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STOCK TREND DETECTOR
MAKE PROFITS IN COMMODITIES
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## SOY BEANS, CORN AND WHEAT

### Rules for 2-Day Chart Moves

The 2-Day chart moves follow from any low level when the market is advancing and moves up 2 days or more, the line on the chart moves up to the highest price of the day and continues to move up as long as prices make higher bottoms and higher tops. The first time prices reverse and make lower bottoms for two consecutive days, the chart moves down on the line to the extreme low and continues to move down as long as prices move down without a rally of two days or more.

When a top on the 2-day chart is crossed it is an indication of higher prices. When the bottom is broken on a 2-day chart it indicates a change in trend and lower prices.

Rule 1. TREND INDICATIONS

The main trend is up as long as no bottom on the 2-day chart is broken. The main trend is down as long as no 2-day top is crossed. You should always trade with the main trend, buy when the trend is up and sell when the trend is down, following all the rules given.

Rule 2. THE TURN IN TREND

There is nearly always exceptions to rules, and these exceptions occur when markets are very active and prices are moving fast, making a wide range in fluctuations of 7 to 10¢ per bushel per day. In cases of this kind the turn or change in trend can take place on a 1-day trend as you will see from examples given. When prices are near extreme highs or extreme lows you can record the 1-day move instead of 2-days, and when the first swing or move is broken, or prices go below the 1-day reaction, consider that the trend has changed, at least temporarily. When prices are very active and fluctuate over a wide range near a low level, use the same rule and consider that the trend has changed when prices have crossed a 1-day top, then go with it.

Rule 3. STOP-LOSS ORDERS

Because markets make false moves at times, and the trend changes suddenly, you must always use a stop-loss order for your protection. When the 2-day chart is making higher bottoms and higher tops, follow up with a stop-loss order 1 to 2¢ per bushel below the bottoms on the 2-day chart. A series of tops and bottoms around the same level is of greater importance when prices exceed top or break the bottom levels. By trading with the main trend stop-loss orders are not caught very often and you make greater profits. NEVER GUESS. LET THE MARKET TELL ITS OWN STORY. Buy and sell only on rules and definite indications

WHEN PRICES ARE DECLINING and the trend is down, based on the 2-day chart, continue to sell short and follow the market down with stop-loss orders 1 to 2¢ above the tops on the 2-day chart. As a general rule, a stop-loss order 1¢ above is seldom caught.

Rule 4. <u>BUY OR SELL AGAINST DOUBLE OR TRIPLE TOPS AND BOTTOMS</u>

Remember that often the third time prices reach the same level they go through, but in nearly every case when prices reach the same level, the fourth time they continue to move on up to higher levels. Therefore, be careful about selling short when prices reach the same level the fourth time. When prices are declining and reach the same level, the fourth time it is seldom ever safe to buy as they generally go lower.

Rule 5. <u>BUY OR SELL AT OR AGAINST MAIN HALF-WAY POINT</u>

A fifty per cent decline of the range or a fifty per cent decline from the highest selling price to the half-way point is one of the safest buying points. An advance of one-half of the previous range between extreme high and low is also one of the most important and safest selling points, especially the first time it is reached. Stop-loss orders should be placed 1 to 2¢ above the main half-way point, or 1 to 2¢ below the half-way point. Read all the rules under resistance levels and consider ¼, 5/8, 1/3, 2/3 and 3/4 points as important resistance levels.

Rule 6. <u>TEN TO FOURTEEN DAY MOVES</u>

When the main trend is up and prices are advancing, reactions seldom last more than 10 to 14 days, before the main trend is resumed. It is generally safe to buy on 10 to 14 day reactions, as long as the 2-day chart is crossed or when there is a series of tops and prices move into new high levels. Reverse this rule in a declining market. Sell on 10 to 14 day rallies as long as the 2-day chart shows main trend down. Sell when 2-day bottoms are broken or when a series of days around the same low level are broken.

Remember, when a market is advancing very rapidly in the last stages of a Bull Market, reactions seldom last more than 2 to 3 days. Therefore, it is safe to buy on 2 to 3 day reactions, then place a stop-loss order 1¢ below the last 2-day bottom. Reserve this rule in a bear market. When the decline is running fast in the last stages of a bear market rallies seldom last longer than 2 days and sometimes only 1 day. Therefore, it is safe to sell on rallies of 2 to 3 days and place a stop-loss order 1 to 2¢ above the top on the 2-day chart. Always try to buy or sell so you can place a stop-loss order below a 2-day bottom or above a 2-day top.

## RULE FOR TRADING ON TREND LINE INDICATIONS-BASED ON 2-DAY CHART

You either buy on reactions on the 2-day chart, or buy when the top of the 2-day chart is crossed and follow up with a stop-loss order 1 to 2¢ below the last bottom on the 2-day chart. When the stop-loss order is caught after a long advance, when the 2-day bottom is broken, you reverse positions. Sell out longs and go short.

By going over the May, July and November Soy Bean chart, both daily and 2-day charts, you can see how profitable it is to trade on the 2-day chart. The buying and selling points are marked on 2-day chart and also the place for stop-loss order is marked in red. Note X in red below bottoms as above tops.

Example: JULY SOY BEANS advanced from November 16, 1949, to December 5, 1949, making only one reverse move on the 2-day chart. From December 5 until February 2 and 6th, 1950, each move on the 2-day chart was a lower top, showing that the main trend was down. On February 6 the price declined to 219. You would buy at this level because it was a double bottom. And, if you look at your resistance card you will find that 218-3/8 is ½ of the highest prices at which May Beans ever sold. Therefore, you would buy May or July Beans against this important one-half way point, and place a stop-loss order at 217. If you waited for the 2-day chart to show a change in trend, you would buy when July Beans crossed 225, which was above the last top on the 2-day chart. From this time on, there were 6 moves or swings up on the 2-day chart making higher bottoms and higher tops. And, if you kept a stop-loss order 1¢ below the bottoms on the 2-day chart, you would have gotten the benefit of the complete move of a profit of nearly $1.00 per bushel.

From the high of 436-3/4 on January 15, 1949, which was the highest price on record that May Beans ever sold, to the low of 201-½, which May Beans reached on February 9, 1949, gives a half-way point of 319-1/8. July Beans advanced to 320-3/4 on May 8, 1950, and May Beans sold at 323-3/4. If you had sold out and gone short around 319 you would have made big profits in a few days. Note that from March 27 to March 30, 1950, July Beans declined 16¢ per bushel in 3 days. This was the greatest reaction in price and time. The next reaction from April 25 to 27 was a 2-day reaction with a decline of 11¢ per bushe A smaller decline than the previous reaction, both in time and price, and showing no indication that the main trend had turned down.

May 3 high 317
May 5 low 298-1/8 - a decline of 19¢ per bushel which was 3¢ greater than the previous decline when low was made on March 30. This had over-balanced the price reaction but had not over-balanced the time period of 3 days. A 2-day rally followed to May 8, making high at 320-3/4. A very small gain the last day and failing to go 4¢ per bushel above the previous tops was a sign of weakness. This is where the 2-day chart at this extreme shows

a reversal which a 3-day chart would not show. This was a TIME TURN on the 2-day chart, and if you waited for lower prices a second day, you would still have been able to sell at high levels. When the price declined to 297-½ on May 12, it was below the bottom of May 5 and the first time that a 2-day bottom had been broken since February 6.

Remember we have a rule which says that fast moves last about three months, and that February, May, August and November are important months for changes in trend for Soy Beans and other grains.

The decline which started from May 8 continued to May 17. July Beans declined to 284-½. Note that the last bottom on the 2-day chart made on April 27 was 284, making this a double bottom and buying level. Everyday's top on the daily chart had been lower and the price had declined 1/3 from the high of 320-3/4 to the low of 219, making this a support level.

May 18, the price advanced above the previous day's top - the first time since May 8, showing that the minor trend was turning up again.

TIME RESISTANCE LEVELS

You can figure Time Resistance Levels the same as you figure Price Resistance Levels. Divide the year into 8 equal parts, which is approximately 45 days each, and divide the year by 3, which gives 120 days or 4 months. Watch these time periods for important changes. Start to figure time from extreme high and low levels and do not use the calendar year. Example: 1947, November 29 was high on Wheat and there was a double top on January 16, 1948. Therefore, the time period should be figured from these dates. May Soy Beans also reached high on January 15, 1948. February 9, 1949, May Soy Beans sold at 201-½ which was the last extreme low. Using this time period and adding 90 days, or ¼ of a year, you would expect a change in trend about May 8, 1950, and this was the exact day Soy Beans reached top. The last extreme low on July Beans was February 6, 1950, just 3 days from the low date of 1948. May Soy Beans also made the last extreme low on February 3, 1940. Suppose that the seasonal trend continued down on Wheat, you would watch for a change in trend around August 8 to 10th, and August 23 and 25th in 1950. However, apply all of the rules and follow the trend indications on the 2-day chart as they develop. Analyze all the other Grain options in the same way that we have analyzed July Soy Beans.

EXCEPTIONS TO THE RULES:

When prices have advance 10 to 14 days without breaking the low of the previous day, therefore, moving straight up on the 2-day chart, and if prices at the end of the move are making a range of 7 to 10¢ per bushel, daily, you follow up your trades with stop-loss order 1¢ below each day's bottom, or on the last day when there is a break back of 5¢ or more below the top, you sell out. You can also use the rule for signal days in moves of this kind. These will be referred to under examples.

NOVEMBER SOY BEANS

Example: 1950, January 3, high 207-½. This is where the option started. January 4, low 204-½. January 5, high 207. This was a turn on the 1-day chart. January 9, when prices broke below 204, we sell short and protect with stop-loss order at 208-½, which is 1¢ above the high of January 5. Decline continues to January 31, making low at 191-½ without ever making a 2-day rally. We know that 383 was the highest price at which November Beans ever sold. Using the rule of ½ of the highest selling price would make 192 to 191-½ a sure safe buying point, protected with stop-loss orders at 189. If you waited for the 2-day chart to show the turn, it advanced to 195-½ on February 3, declined to 191-¼ February 8, making a double bottom. On February 18, for the first time, crossed a 2-day trend line top, making it a buy based on the 2-day chart rules.

The advance continued making higher bottoms and higher tops. March 27, high 210. This was above the opening price of the option of 207-½ on January 3 and indicated higher prices. A 2-day reaction followed from March 29, low $2.00. Note that the last bottom on March 23 was 199-¼. You would buy more and protect with stop-loss order at 198-½. When the price crossed 210 you would buy more. The advance continued until May 3, high 230. This was up 38-3/4¢ per bushel from low of February 6. Note from April 14, low 203 to the high of May 3 of 230, there had not been a 2-day bottom broken. In fact, no bottom was broken on the daily chart. This is where you would apply Exception to the Rule to protect your profit by keeping a stop-loss order 1¢ under the last day's low or selling out on the first 5¢ decline from a high level. Note: May 1, high 229-½, May 2, low 224-½, and May 3, high 230, the price opening at 226 and closing at 225. This was a signal day and you should sell out longs and go short. Price declined to 215 on May 5, which was back to the same low levels made May 25 to 26th which was a series of bottoms and a buying level because this was only a 2-day reaction. A quick 2-day rally followed to May 8, making a lower top and closing near the low making another signal day, indicating a short sale. May 13, low 212-½. Note that 211-3/4 was ½ between 191-½ and 230, making this a buying level. Prices advanced to May 25, reaching 230, making this a double top and a place to sell out and go short.

May 26 prices react to 221-½. A 1-day reaction. The market rallied to 228 on June 1, making higher bottoms for 3 consecutive days. This is where we use the Exception and record this move on the 2-day chart. You would stay short and reduce stop-loss orders to 229 on shorts. June 6, low 216-½. June 10, high 223-½. This was a top on the 2-day chart and the stop-loss order should be moved down to 224-½. June 16, low 208. Note this was just above the opening price of the option at 207-½ on January 3, and there was also a 2-day top at 208-½ on April 10, making this a buying level. However, if you waited for the turn on the 2-day chart, you will note June 21, high 215, June 24, low 209-½, making a higher bottom and on June 26, when prices reached 216, they were above the top on the 2-day chart and indicated a buying level. War had started and war is always bullish and caused advances in Grains. The market advanced rapidly and when prices crossed the double tops at 230, you would buy more. July 3, high 242-3/4, a 1-day reaction to July 5 to 234. A 1-day rally to July 6, a 1-day reaction to July 7 of 243-½. We record this move on the 2-day chart. You would raise stop-loss orders on longs 235 and buy more when the price crossed 243 because it was above ½ between 44¢ and 436-3/4.
July 17, high 257-½ up 49-½¢ from the low of July 15. Here you would apply the Exception to the Rule and place stop-loss order at 252, 1¢ under the low of July 17, which would close out your longs and you would go short one contract at 252. July 19, low 240, a 2-day reaction and a buying level, because it was at the ½ point, and, was only 1-½¢ below the low of July 12.

A rapid advance followed reaching 272 on July 26. This was up 80-3/4 from the extreme low and 64¢ from 208. There had only been one 2-day reaction since June 24.

July 26 was a signal day because prices closed 4¢ below the top, and they did break back 5¢ from the high. You would either sell out on July 27 and go shor or place a stop-loss order at 265, which was 1¢ below the low of July 26. This is where the Exception to the Rule got you out at the right time. The market declined for 3 days to July 29, which was a greater decline in time than any since June 16, and an indication prices were going lower, August 2, low 256. August 3, high 261-½, a 1-day rally which would show on the 2-day chart as an exception, as this made the time turn.

The extreme high is always the most important to figure resistance levels from The secondary high on any option is also next in importance to figure resistance levels from to the extreme low. The extreme high on November Beans was 383 on November 22, 1947. The secondary high was 347-½ on June 12, 1948. The extreme low was 191-½ in February, 1950. The half-way point between 347-½ anc 191-½ is 269-3/8, which is very important, making this a selling level on July

26, 1950, and prices never went 3¢ above it before the big break. Always have these important resistance points marked on your daily chart, as well as your 2-day chart, so you will know when they are reached.

August 4 - you would sell more at 255, 1¢ under the low of August 2. Stop-loss order would be 262-½. August 5, low 245-¼. August 8, high 253-½. This was a 2-day rally as shown on the 2-day chart. August 10, low 238-3/4, August 11, high 248. We show this on the 2-day chart, because it was a rally of 9¢ per bushel in one day. August 15, low 236-¼. Note that the lows made on July 5 and 7th, were 234 and 234-¼, making this a buying level with stop-loss order at 233, because the market had declined 36¢ per bushel from July 26 and 240 was ½ between 208 and 272. Looking back to March 29 and 30th, the last low was $2.00 which was a decline of 10¢ per bushel and a 2-day reaction. From that time on every bottom was higher on the main swing. ½ from $2.00 to 272 would give 236. Note that 240 was the important ½ way point between 208 and 272. And, at no time did the prices close 1¢ under 240. Another indication that this was a buying level.

August 16, 17 and 18 - each day the low prices were higher. On August 18, the high was 244-3/4 and the market closed at 224-¼. This was a move up on the 2-day chart. However, the last actual high on the 2-day chart was made on August 8 at 256-½. Based on this we would hold November Soy Beans bought with a stop at 232-½, which would be 1¢ under the lows of August 17 and 18th.

August 18th, November Beans advanced to 247-3/4.

August 22nd, declined to 241-½, a 2-day reaction. Stop-loss order could be moved up 240-½.

August 30, high 254. Note that between 272 and 236-¼, this was the half-way point and a selling level. Also the last high on August 8 was 253-½ which was a trend line top, making 254 a price at which to sell out longs and go short.

September 2, low 245-½. This was the half-way point between 236-½ and 254 and indicated a minor rally.

September 5, high 250-3/4.

September 7, low 242-3/4. This was below the half-way point of the last move and a signal for low prices after a rally.

Continue to follow the 2-day chart and Resistance Level for future indications.

The more you study and rules the more you will be convinced of the value of them as trend indicators, and if you follow the rules for the 2-day chart alone you will be able to make large profits.

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